

Taylorsville-Bennion Improvement District

- : -

Independent Auditor's Report

December 31, 2006 and 2005



ROBISON, HILL & Co.
A PROFESSIONAL CORPORATION

Certified Public Accountants

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A PROFESSIONAL CORPORATION

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Taylorsville-Bennion Improvement District
1800 West 4700 South
Taylorsville, Utah 84118

Dear Members of the Board:

We have audited the accompanying financial statements of Taylorsville-Bennion Improvement District as and for the years ended December 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the District's Management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taylorsville-Bennion Improvement District as of December 31, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2007, on our consideration of Taylorsville-Bennion Improvement District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

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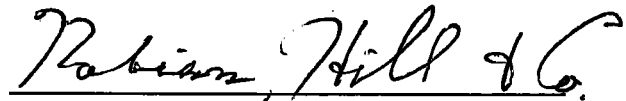
1366 East Murray-Holladay Road, Salt Lake City, Utah 84117-5050
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of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying supplementary information listed in the table of contents (Schedules 1, 2, and 3) is presented for purposes of additional analysis and is not a required part of the financial statements of Taylorsville-Bennion Improvement District. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Certified Public Accountants

Salt Lake City, Utah
May 15, 2007

Management's Discussion and Analysis Of Financial Condition and Results of Operations

Management's Discussion and Analysis is presented in three sections. The introductory section will show some of the highlights of the past year along with other important data, figures, and facts. The second section analyzes the Results of Operations, and the final section will address our consolidated Revenues, Expenses, and Other liabilities.

Cautionary Statements

From time to time, in written reports and oral statements, we discuss our expectations regarding Taylorsville-Bennion Improvement District's future performance. These "forward-looking statements" are based on currently available competitive, financial and economic data and our operating plans. They are also inherently uncertain, and readers must recognize that events could turn out to be significantly different from what we expect.

Introduction

Taylorsville-Bennion Improvement District offers readers of its financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2006. The District encourages readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal which can be found on page i of this report.

Taylorsville-Bennion Improvement District provides competitively-priced, customer-focused, drinking water and wastewater services. Our strategy recognizes that our products and services are essential to life and that our customers' expectations are high.

Taylorsville-Bennion Improvement District owns seventeen wells, thirteen reservoirs, and 3 Fluoride and Chlorine injection plants and over 226.7 miles of pipeline. The District provides certified operations and maintenance for treated water distribution and wastewater collection to:

- 506 commercial customers
- 8 industrial customers
- 16,165 individual residential households
- 188 institutional customers
- 70,000 people

Taylorsville-Bennion believes the company can meet increased demand for water and wastewater services from future residence through further:

- Implementation of proven technologies that will increase the efficiency, control, and accuracy of the District.
- Development of cost-effective delivery of water and services to customers.
- Fortitude of ensuring the District has the people and the training to meet anticipated demand for services.

Management's Discussion and Analysis

(Unaudited)

The following is a discussion and analysis of Taylorsville-Bennion Improvement District's financial activities for the year ended December 31, 2006. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities as of the close of the most recent year by \$60,163,806.
- The District's total net assets increased by \$1,376,921.
- Reduced long-term liabilities by \$1,652,322.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other states and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District are proprietary funds.

Proprietary funds

The District uses an enterprise fund to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Notes to financial statements

The notes provide additional information that is essential to the full understanding of the data provided in the fund financial statements. The notes are part of the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District.

Financial statement analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$60,163,806 at the close of the most recent fiscal year.

Condensed Financial Information

Net Assets

The largest portion of the District's net assets (84%) reflects its investment in capital assets (e.g. land, buildings, water system, sewer system, equipment, and water rights) less any related debt used to acquire those assets that is still outstanding. Resources needed to repay capital-related debt must be provided from other sources.

An additional portion of the District's net assets (3.3%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net assets (12.7%) may be used to meet the District's obligations to customers, member agencies, employees, and creditors.

At the end of the fiscal year, the District is able to report positive balances in all three categories of net assets.

Taylorsville-Bennion Improvement District's Net Assets

	2006	2005	2004
Assets:			
Current and other assets	\$ 10,422,952	\$ 8,710,988	\$ 5,338,015
Capital assets	55,674,790	57,528,132	58,501,990
Total assets	<u>66,097,742</u>	<u>66,239,120</u>	<u>63,840,005</u>
Liabilities:			
Current and other liabilities	2,163,873	2,029,850	2,485,259
Long-term liabilities	3,770,063	5,422,385	3,399,443
Total liabilities	<u>5,933,936</u>	<u>7,452,235</u>	<u>5,884,702</u>
Fund Net Assets:			
Invested in Capital assets, net of related debt	50,509,048	50,716,883	53,158,218
Restricted	2,000,643	2,000,893	2,000,535
Unrestricted			
Board reserves	1,000,000	1,000,000	-
Operations	6,654,115	5,069,109	2,796,550
Total fund net assets	<u>\$ 60,163,806</u>	<u>\$ 58,786,885</u>	<u>\$ 57,955,303</u>

Note

Unrestricted assets encompass two sub categories: board reserves and operations. Board reserves are funds that have been designated by the Board of Trustees for emergencies and unforeseeable expenditures in the District. Operations are used to accomplish the day to day operating functions of the District.

Changes in Net Assets

The District's net assets increased by \$1,376,921 during the 2006 fiscal year. Key elements of this overall increase are as follows:

- The increase in depreciation (\$1,681,802) was more than the increase of assets (\$1,540,424), causing an overall decrease in total assets.
- Long-term liabilities had an overall decrease due to the repayment of a revenue bond during the fiscal year 2006.
- The total decrease in liabilities was more than the decrease in total assets. These two factors caused an overall increase in total net assets.

Taylorsville-Bennion Improvement District's Changes in Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:			
Operating revenues	\$ 8,811,907	\$ 8,155,418	\$ 7,734,154
Operating contributions	307,640	341,857	452,737
Other revenues:			
Property taxes and assessments	500,397	490,769	487,864
Interest income on investments	377,466	172,365	51,361
Gain (Loss) on disposal of assets	367,967	(6,188)	26,120
Other non-operating revenue	291,777	292,459	659,578
Total revenues	<u>10,657,154</u>	<u>9,446,680</u>	<u>9,411,814</u>
Expenses:			
Operating expenses	9,061,061	8,363,023	8,105,953
Interest on long-term debt	219,172	252,075	253,244
Total expenses	<u>9,280,233</u>	<u>8,615,098</u>	<u>8,359,197</u>
Change in net assets	1,376,921	831,582	1,052,617
Net assets - beginning of year	<u>58,786,885</u>	<u>57,955,303</u>	<u>56,902,686</u>
Net assets - end of year	<u>\$ 60,163,806</u>	<u>\$ 58,786,885</u>	<u>\$ 57,955,303</u>

Statement of Revenue

Material differences between 2005 and 2006 fiscal years as it affected the District's revenue is as follows:

- A rate increase of \$0.05 per 1,000 gallons (4.3%) for both water and sewer resulted in an operating revenue increase of \$656,489 over last year.
- The change in net assets during the last fiscal year is attributable to the larger than normal gain on disposal of assets. This is due in large part to the sale of land within the District constituting \$407,352 toward a gain that otherwise would have resulted in a loss.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets, as of December 31, 2006, amounts to \$46,221,911 (net of accumulated depreciation). The increase in depreciation was larger than the increase in assets, which

creates an overall decrease in capital assets. This investment in capital assets includes the water system, sewer system, administrative buildings and land, water rights, well houses, reservoirs, and equipment.

Major capital asset events during the fiscal year 2006 included the following:

- Increase in water and sewer systems of \$668,362
- Increase in depreciation of \$1,681,802

Taylorsville-Bennion Improvement District's Capital Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Capital assets:			
Water system	\$ 54,202,083	\$ 53,668,650	\$ 53,358,928
Sewer system	15,479,627	15,344,698	15,172,965
Water rights	1,408,068	1,403,518	1,386,985
Equipment	3,206,786	3,135,713	3,082,151
Land and building	4,561,277	4,553,600	4,541,834
Total	<u>78,857,841</u>	<u>78,106,179</u>	<u>77,542,863</u>
Less Accumulated Depreciation	<u>(32,635,930)</u>	<u>(30,954,128)</u>	<u>(28,993,484)</u>
Net Capital Assets	<u>\$ 46,221,911</u>	<u>\$ 47,152,051</u>	<u>\$ 48,549,379</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current year, the District had total long-term debt outstanding of \$3,770,063. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Taylorsville-Bennion Improvement District's Outstanding Debt

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Long-term debt:			
Revenue bonds	\$ 3,770,063	\$ 5,422,385	\$ 3,350,000
Notes payable	-	-	49,443
Total	<u>\$ 3,770,063</u>	<u>\$ 5,422,385</u>	<u>\$ 3,399,443</u>

The District sells its revenue bonds through Zion's Investment Securities, Inc. The District's revenue bonds are rated Aaa by Moody's and are insured. Further information on the District's long-term debt can be found in the notes of the financial statements.

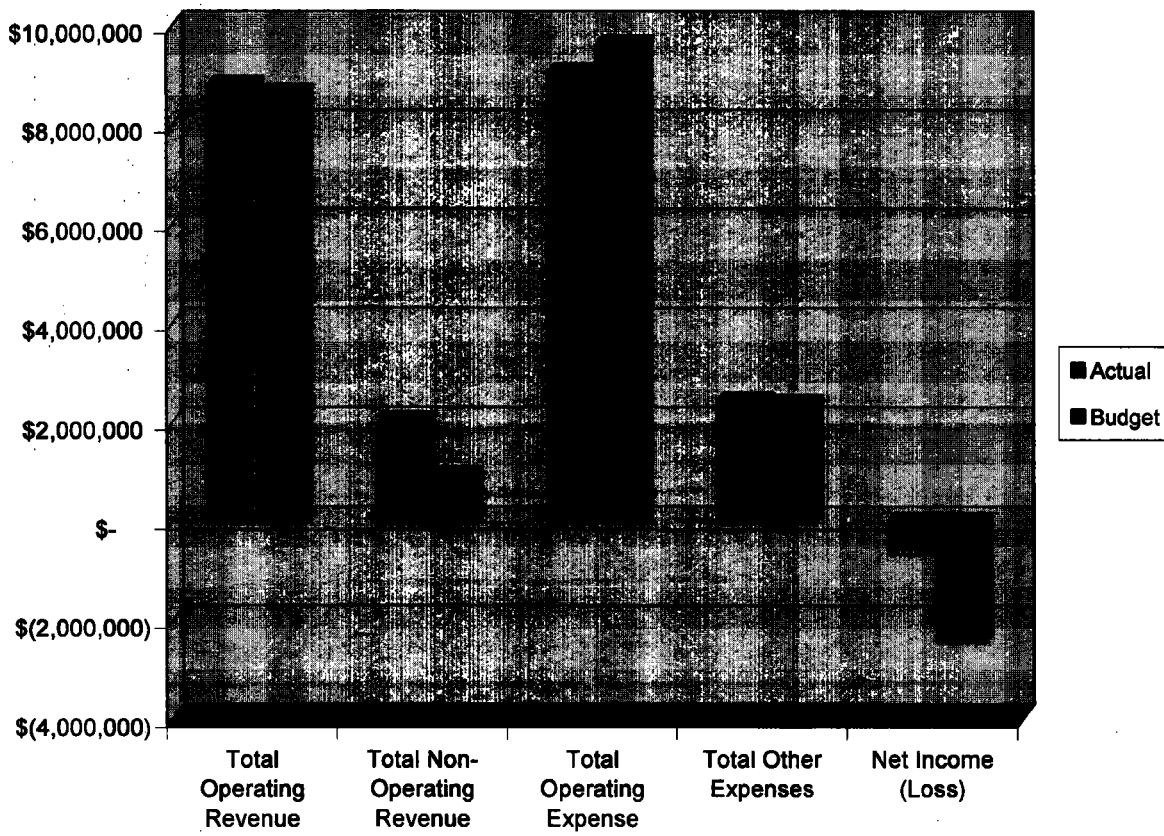
Requests for Information

This financial report is designed to provide a general overview of Taylorsville-Bennion Improvement District's finances for all those with an interest. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the accounting office at P.O. Box 18579, Taylorsville, Utah 84118-0579.

Taylorsville-Bennion Improvement District's Budget vs. Actual Amounts

	Budget Amount	Actual Results	Difference Budget vs. Actual
Operating Revenues:			
Water and sewer service fees	\$ 8,535,000	\$ 8,648,871	\$ 113,871
Water connection fees	20,000	37,875	17,875
Penalties	27,000	39,267	12,267
Miscellaneous	67,300	85,894	18,594
Total Operating Revenue	<u>8,649,300</u>	<u>8,811,907</u>	<u>162,607</u>
Non-Operating Revenues:			
Property tax revenue and B. Park	510,156	500,397	(9,759)
Interest and Central Valley income	235,000	421,771	186,771
Water and sewer impact fees	166,000	247,472	81,472
Engineering fees and deposits	23,000	26,202	3,202
Sale of fixed assets	-	468,421	468,421
Total non-operating revenue	<u>934,156</u>	<u>1,664,263</u>	<u>730,107</u>
Total revenue	<u>9,583,456</u>	<u>10,476,170</u>	<u>892,714</u>
Operating expenses:			
Salaries and benefits	2,528,409	2,521,185	(7,224)
Office expenses	344,000	306,468	(37,532)
Water and sewer system	1,543,023	1,443,711	(99,312)
Utilities	600,000	531,955	(68,045)
Water purchases	1,686,000	1,577,765	(108,235)
Depreciation and amortization of investments	2,850,000	2,608,900	(241,100)
Miscellaneous expense	76,000	71,077	(4,923)
Total operating expenses	<u>9,627,432</u>	<u>9,061,061</u>	<u>(566,371)</u>
Other expenses:			
Capital expenses	907,047	960,777	53,730
Principal loan and bond payments	1,245,866	1,245,865	(1)
Interest expense	220,942	219,172	(1,770)
Total other expenses	<u>2,373,855</u>	<u>2,425,814</u>	<u>51,959</u>
Total expenses	<u>12,001,287</u>	<u>11,486,875</u>	<u>(514,412)</u>
Excess (Deficit) of Revenue and Other Receipts over Expenses and Other Expenditures	<u>\$ (2,417,831)</u>	<u>\$ (1,010,705)</u>	<u>\$ 1,407,126</u>

Actual Results vs. Budget Amount 2006



Taylorsville-Bennion Improvement District

Statements of Net Assets December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash on hand	\$ 751	\$ 751
Cash in checking	62,499	23,952
Cash in short term savings	6,904,856	5,186,346
Accounts receivable sewer and water service	954,315	952,687
Certified liens receivable	216,847	177,671
Other receivable	1,401	-
Impact fees and water meter receivable	118,600	121,840
Unremitted property taxes	7,904	12,217
Inventory of material and supplies	93,260	104,418
Prepaid expenses	<u>61,876</u>	<u>130,213</u>
Total Current Assets	<u>8,422,309</u>	<u>6,710,095</u>
RESTRICTED ASSETS		
Bond escrow accounts	<u>2,000,643</u>	<u>2,000,893</u>
INVESTMENT IN CENTRAL VALLEY WATER RECLAMATION FACILITY		
Equity (See Note G)	18,473,829	18,732,090
Accumulated amortization	(9,179,638)	(8,514,697)
Working capital advances	<u>158,688</u>	<u>158,688</u>
Total Central Valley Investment	<u>9,452,879</u>	<u>10,376,081</u>

Exhibit 1
(Continued)

Taylorsville-Bennion Improvement District

Statements of Net Assets
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
PROPERTY, PLANT AND EQUIPMENT		
Land	\$ 2,218,841	\$ 2,221,115
Sewer systems	5,431,443	5,399,554
Sewer mains - subdivision	10,048,184	9,945,144
Water systems	30,235,935	30,171,666
Water mains - subdivision	10,649,717	10,445,117
Water systems from West Side Water	520,608	520,608
Water wells	5,686,494	5,686,494
Wells mechanical	1,798,993	1,616,901
Meters and fittings	4,296,986	4,214,514
Garage, Shop and Office building	2,207,533	2,205,615
Chemical Addition buildings	804,788	804,788
Pump houses	208,562	208,562
Fence enclosure and landscaping	89,030	89,030
Furniture and fixtures	45,873	37,840
Trucks	1,193,936	1,141,238
Telemetry system	601,898	601,898
Equipment	<u>1,410,952</u>	<u>1,392,577</u>
Total Property, Plant and Equipment	77,449,773	76,702,661
Less accumulated depreciation	<u>(32,635,930)</u>	<u>(30,954,128)</u>
Net Property, Plant and Equipment	<u>44,813,843</u>	<u>45,748,533</u>
Water rights	<u>1,408,068</u>	<u>1,403,518</u>
Total Assets	<u><u>\$ 66,097,742</u></u>	<u><u>\$ 66,239,120</u></u>

Exhibit 1
(Continued)

Taylorsville-Bennion Improvement District
Statements of Net Assets
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 171,293	\$ 220,739
Accrued payroll, insurance and taxes payable	6,601	5,532
Accrued retirement payable	190,202	-
Accrued sick leave payable	270,473	268,270
Central Valley payable (See Note G)	155,523	142,761
Interest payable	58,641	60,410
Security deposits	-	2,190
Engineering deposits	70,984	83,845
Current portion of note and lease payable	-	49,443
Current portion of bonds payable	<u>1,240,156</u>	<u>1,196,660</u>
Total Current Liabilities	<u>2,163,873</u>	<u>2,029,850</u>
Long-Term Liabilities		
Bonds payable	<u>3,770,063</u>	<u>5,422,385</u>
Net Long-Term Liabilities	<u>3,770,063</u>	<u>5,422,385</u>
Total Liabilities	<u>5,933,936</u>	<u>7,452,235</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	50,509,048	50,716,883
Restricted for: Debt Service Reserve	900,000	900,000
Debt Service Account	100,643	100,893
Renewal and Replacement Reserve	1,000,000	1,000,000
Unrestricted	<u>7,654,115</u>	<u>6,069,109</u>
Total Net Assets	<u>\$ 60,163,806</u>	<u>\$ 58,786,885</u>

See accountant's report and notes to financial statements.

Taylorsville-Bennion Improvement District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUE		
Water service	\$ 5,708,418	\$ 5,154,354
Sewer service	2,845,046	2,769,004
Water connection fees	37,875	32,400
Pre-treatment charges	95,407	85,161
Penalties	39,267	34,552
Miscellaneous	<u>85,894</u>	<u>79,947</u>
 Total Operating Revenue	 <u>8,811,907</u>	 <u>8,155,418</u>
 OPERATING EXPENSES		
Administrative salaries	294,875	289,071
Office salaries	230,639	203,447
Maintenance salaries	739,673	697,011
Overtime salaries	30,762	13,361
Sick pay	42,403	32,773
Safety and service awards	11,178	9,957
Retirement early incentive	170,367	52,317
Central Valley administrative	89,165	79,956
Travel and subscriptions	20,636	14,729
Office expense	53,258	47,013
Janitorial	9,600	9,600
Postage and bank charges	55,796	57,376
Telephone and telemeter	23,930	20,198
Legal services	9,300	10,650
Accounting services	3,125	4,255
Auditing services	17,000	17,000
Computer costs	22,878	16,216
Gas and oil	50,480	35,942
Employee health insurance	359,634	288,721

Exhibit 2
(Continued)

Taylorsville-Bennion Improvement District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
OPERATING EXPENSES (Continued)		
Insurance - other	\$ 78,125	\$ 70,518
Damage claims	-	2,095
Payroll taxes	100,538	93,131
Employees retirement	451,951	204,980
Sewer maintenance	68,022	64,838
Sewage treatment - Central Valley	1,142,370	1,113,418
Utilities	531,955	495,097
Supplies and uniform cleaning	16,693	13,536
Water maintenance	41,702	56,220
Metropolitan Water District	40,605	3,440
Jordan Valley Water Conservancy District	1,537,160	1,458,702
Wells maintenance	29,622	12,343
Landscape - wells and reservoirs	78,448	86,248
Repairs and maintenance - equipment	31,909	33,580
Water analysis	32,519	29,519
Miscellaneous engineering	20,312	20,833
Utah Special Districts	8,500	8,000
Repairs and maintenance - boosters and reservoirs	2,426	4,534
Bond expense	4,320	4,320
Miscellaneous expense	285	4,469
Depreciation	1,943,959	2,046,859
Amortization of investment in Central Valley	<u>664,941</u>	<u>636,750</u>
 Total Operating Expenses	 <u>9,061,061</u>	 <u>8,363,023</u>
 Net Operating Income (Loss)	 <u>(249,154)</u>	 <u>(207,605)</u>

Exhibit 2
(Continued)

Taylorsville-Bennion Improvement District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
NON-OPERATING INCOME (EXPENSE)		
Property tax revenue and Barrington Park assessments	\$ 500,397	\$ 490,769
Interest income	377,466	172,365
Gain (Loss) on disposal of fixed assets	407,352	27,465
Gain (Loss) on disposal of fixed assets - CVWRF	(39,385)	(33,653)
Central Valley income	44,305	39,998
Water impact fees	184,574	116,419
Sewer impact fees	62,898	136,042
Interest expense	<u>(219,172)</u>	<u>(252,075)</u>
Net Non-Operating Income (Expenses)	<u>1,318,435</u>	<u>697,330</u>
Net Income (Loss) before contributions	1,069,281	489,725
Contributions-builders and subdividers	307,640	341,857
Net Assets - Beginning	<u>58,786,885</u>	<u>57,955,303</u>
Net Assets - Ending	<u>\$ 60,163,806</u>	<u>\$ 58,786,885</u>

See accountant's report and notes to financial statements.

Taylorsville-Bennion Improvement District

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 8,709,006	\$ 8,193,034
Cash payments for employees for services	(2,187,208)	(1,874,122)
Cash payments to other suppliers of goods and services	<u>(4,032,478)</u>	<u>(3,804,694)</u>
Net Cash Provided by Operating Activities	<u>2,489,320</u>	<u>2,514,218</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from property taxes and Barrington Park	<u>504,710</u>	<u>486,445</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from fixed assets sales	468,421	65,711
Cash received from impact fees	252,112	346,461
Principal paid on Long-Term Debt	(1,245,865)	(1,643,811)
Cash received on Long-Term Debt	-	2,028,701
Interest paid on bonds and notes	(220,941)	(199,991)
Net cash paid for investment in Central Valley	(175,897)	(409,454)
Acquisition of water rights	(5,565)	(15,931)
Acquisition and construction of capital assets	(757,622)	(325,337)
Cash received from engineering fees and deposits	26,202	45,548
Cash received from Central Valley	<u>44,466</u>	<u>461,841</u>
Net Cash Used for Capital and Related Financing Activities	<u>(1,614,689)</u>	<u>353,738</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>377,466</u>	<u>172,365</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,756,807	3,526,766
Cash and Cash Equivalents at Beginning of Year	<u>7,211,942</u>	<u>3,685,176</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 8,968,749</u></u>	<u><u>\$ 7,211,942</u></u>

Exhibit 3
(Continued)

Taylorsville-Bennion Improvement District
Statements of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents
Years Ended December 31, 2006 and 2005

Reconciliation of Net Income to Net Cash Provided by Operating Activities:

	<u>2006</u>	<u>2005</u>
NET OPERATING INCOME (LOSS)	\$ (249,154)	\$ (207,605)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,943,959	2,046,859
Amortization of investments in Central Valley	664,941	636,750
(Increase) Decrease in accounts receivable sewer and water	(1,628)	11,636
(Increase) Decrease in certified liens receivable	(39,176)	57,596
(Increase) Decrease in other receivable	(1,401)	127
(Increase) Decrease in prepaid expense	68,337	(23,349)
(Increase) Decrease in water meter receivable	(1,400)	14,200
Increase (Decrease) in accounts payable	(42,510)	20,088
Increase (Decrease) in accrued payroll, insurance and taxes	1,069	726
Increase (Decrease) in security deposits	(2,190)	-
Increase (Decrease) in accrued retirement payable	190,202	-
Increase (Decrease) in engineering deposits	(39,063)	(34,155)
Increase (Decrease) in accrued sick leave payable	2,203	14,566
Increase (Decrease) in Central Valley payable	<u>(4,869)</u>	<u>(23,221)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,489,320</u>	<u>\$ 2,514,218</u>

Supplemental Schedule of Non-Cash Investing Activities:

Contribution of Fixed Assets From Subdividers	\$ 307,640	\$ 341,857
Accounts payable incurred in purchase of fixed assets	37,841	27,306

Disclosure of Accounting Policy:

For purposes of the Statement of Cash Flows, the District considers all time certificates of deposit, money markets and repurchase agreements to be cash equivalents.

See accountant's report and notes to financial statements.

Taylorville-Bennion Improvement District

Notes to Financial Statements

December 31, 2006 and 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES

This summary of accounting policies of Taylorville-Bennion Improvement District (the "District") is presented to assist in understanding the District's financial statements. These accounting policies conform to generally accepted accounting principles as applied to government units. The following is a summary of the more significant policies.

1. The Reporting Entity

The Taylorville-Bennion Improvement District is a Political subdivision of the State of Utah organized during June, 1958, for the purpose of providing sewer and water services. The District operates as an Enterprise Fund. The District is not reported as a component unit and there are no component units as defined in GASB Statement 14, which are included in the District's reporting entity.

2. Fund Accounting

The accounts of the District are organized as one proprietary fund type, specifically as an enterprise fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the expenses, including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Property, Plant and Equipment

Fixed assets are stated at cost. Subdivision mains contributed by various subdividers are valued at amounts provided by the consulting engineer. Contributed easements are not valued and included as fixed assets. For financial reporting purposes, depreciation of property and equipment is provided on the straight-line method over the following estimated useful lives:

Sewer and Water System	50	Years
Buildings	30	Years
Furniture and Fixtures	8	Years
Automotive Equipment	3	Years
Other Equipment	3-8	Years
Fence Enclosures and Landscaping	20-50	Years
Water Wells	50	Years
Pump Houses	10-30	Years
Telemetry System	8	Years
Wells Mechanical	10	Years

Taylorsville-Bennion Improvement District
Notes to Financial Statements
December 31, 2006 and 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

4. Basis of Budgeting

Budgets are prepared on the accrual basis of government enterprise accounting, with the exception of contributions from builders and subdividers not being budgeted.

5. Deposits and Investments

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006 and 2005, none of the District's bank balances were uninsured and uncollateralized.

Credit Risk - Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), and external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

As of December 31, 2006 and 2005, the District had investments of \$2,326,020 and \$1,509,621 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

In addition, as of December 31, 2006 and 2005, the District held \$4,578,836 and \$3,676,725 in the Mutual Fund Investment Sweep Account (Victory Federal Money Market Select) - Key Bank which was uninsured and uncollateralized.

Taylorsville-Bennion Improvement District
Notes to Financial Statements
December 31, 2006 and 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Restricted Cash - Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the United States government, agencies of the United States government, any state within the territorial United States of America: or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements: or certain other investments.

Cash and investments at December 31, 2006 and 2005 consisted of the following amounts:

	2006	2005
Cash on hand	\$ 751	\$ 751
Cash in bank	62,499	23,952
Investment in State Treasurers Pool	2,326,020	1,509,621
Total Cash	2,389,270	1,534,324
Money Market Accounts	4,578,836	3,676,725
Total Unrestricted Cash and Investments	6,968,106	5,211,049
Restricted Cash	2,000,643	2,000,893
Total Cash and Investments	<u>\$ 8,968,749</u>	<u>\$ 7,211,942</u>

6. Basis of Accounting

During the year, the accounts of the District are maintained on a modified accrual basis of government enterprise accounting. They are adjusted to the accrual basis of government enterprise accounting for financial reporting purposes. The District is an enterprise fund, which is included under the proprietary fund type. Proprietary funds account for the flow of economic resources and use the accrual basis for accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The District applies all applicable Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except for those that conflict with or contradict GASB.

Taylorsville-Bennion Improvement District
Notes to Financial Statements
December 31, 2006 and 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

7. **Inventories**

Materials and supplies inventories are stated at the lower of cost (first-in, first-out) or market.

8. **Accumulated Compensated Absences**

Accumulated unpaid sick leave is accrued each year. Employees are paid for sick leave days accrued at retirement or termination at their rate of pay at that time. These accrued days can be used for sick leave at any time. Employees can carry over unused sick leave, up to 75 days, or be paid for any portion of their unused sick leave at half their normal pay rate. The sick leave year end is December 31. Accrued sick leave payable at December 31, 2006 and 2005 was \$270,473 and \$268,270 respectively.

The District does not allow employees to carry over vacation.

9. **Pension Plans**

The District participates in the Utah State Retirement Systems (See Note B).

10. **Statement of Cash Flows**

For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

11. **Joint Venture**

The District accounts for its interest in a joint venture on the equity basis of accounting.

12. **Accounts Receivable - Sewer and Water**

The District bills customers bi-monthly for sewer and water services. Sewer and water services are billed for the past two months usage.

13. **Water Connection Fees Receivable**

For 2006 and 2005, the water connection fee for a single family dwelling was \$2,300. The District requires the water connection fee to be paid before the water meter is installed. Other water connection rates apply to multiple-unit dwellings.

14. **Revenue Recognition - Property Taxes**

During the years ended December 31, 2006 and 2005, property tax revenue and Barrington Park assessments totaled \$500,397 and \$490,769, respectively. These amounts represent taxes levied for maintenance and operation of the District.

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2006 and 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

Property taxes are levied on January 1st based on the assessed value of property as listed on the previous May 31st. Assessed values are an approximation of market value. An evaluation of all real property must be made every year by the county assessor. Property taxes are delinquent after November 30.

The following is a summary of Taylorsville-Bennion Improvement District's total taxable valuation, certified tax rate/mill levy, and taxes levied and collected by year for a ten year period including 1997-2006, as provided by Salt Lake County.

Year	Taxable Valuation	Certified Tax Rate/ Mill Levy	Taxes Levied	Total Taxes Collected	Current Year Levy Collection Percentage
1997	\$ 1,457,610,808.00	0.0244	\$ 371,548.96	\$ 359,047.02	96.64%
1998	1,556,998,189.00	0.0245	395,434.34	380,657.03	96.27
1999	1,629,267,388.00	0.0245	413,588.17	397,327.14	96.07
2000	1,734,407,660.00	0.0232	415,397.02	398,896.85	96.03
2001	1,905,197,441.00	0.0224	428,017.39	410,099.46	95.81
2002	1,949,605,472.00	0.0206	401,528.91	386,262.30	96.20
2003	1,937,027,148.00	0.0210	407,020.12	392,969.47	96.55
2004	1,990,803,235.00	0.0204	406,123.86	393,596.54	96.92
2005	2,098,243,310.00	0.0195	409,104.10	397,177.43	97.08
2006	2,376,090,598.00	0.0175	416,601.83	406,047.77	97.47

15. **Fidelity Bond**

The District is covered by a public employee blanket bond with the CNA Insurance Company. This bond covers a public official bond on the treasurer in the amount of \$460,000. This complies with the requirements of the State Money Management Act.

16. **Reclassification**

Certain reclassifications have been made in the 2005 financial statements to conform with the 2006 presentation.

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2006 and 2005

NOTE B - RESTRICTED ASSETS

"Bond escrow accounts", \$2,000,643 and \$2,000,893 at December 31, 2006 and 2005, respectively, are held according to the provisions of the bond resolution requirement with the following three accounts set up and amounts on deposit at December 31, 2006 and 2005 until the full debt is retired: (1) Debt Service Reserve Account, \$900,000 and \$900,000; (2) Renewal and Replacement Reserve Fund, \$1,000,000 and \$1,000,000, for payment of extraordinary Maintenance and Operation Expenses and contingencies including the prevention or correction of any unusual loss or damage to the system, ie, earthquake damage; and (3) Debt Service Account for payment of current debt, \$100,643 and \$100,893.

NOTE C - BOARD DESIGNATED RESERVES

The Board is reserving another \$1,000,000 for emergencies and unforeseeable expenditures. Water sources continue to undergo more restrictions and lower MCL's (maximum contaminant levels) every year which may result in additional levels of water treatment. Also, much of the District's infrastructure in reservoirs, water lines and sewer lines is reaching a projected life expectancy, and much of it has been fully depreciated. These will need to be replaced as required.

NOTE D - RETIREMENT POLICY

The District adopted an early retirement policy in 2002 that will affect employees with 25 or more years of service to the District. Employees eligible for this program will receive 50% of their annual salary on the date of their retirement. Then on that date twelve (12) months later they would receive 25% of their salary for the 2nd year and twelve (12) months later they would receive 25% of their salary for the 3rd and final year after retirement. This program is scheduled to run from January 2003 through the end of December 2007 unless extended by the Board of Trustees by resolution. The District paid individuals early retirement benefits totaling \$251,948 and \$24,452 for the years ending December 31, 2006, and 2005, respectively. On April 20, 2006, the District's Board of Trustees voted to extend this benefit through December 31, 2012.

Effective January 19, 2006, the District revised the Retirement Benefit - Purchase of Service Years policy where the District will participate in the purchase of additional years of service credit up to a maximum of five years, to any employee that has worked for the District 25 years or longer.

Taylorsville-Bennion Improvement District

Notes to Financial Statements December 31, 2006 and 2005

NOTE E - DEFINED BENEFIT PENSION PLAN

Plan Description - Taylorsville-Bennion Improvement District contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, 84102 or by calling 1-800-365-8772.

Funding Policy - Taylorsville-Bennion Improvement District was required to contribute 9.620% of covered salary to the Noncontributory system from January 2004 to June 2004, 11.090% from July 2004 to June 2005, 11.090% from July 2005 to June 2006, 11.590% from July 2006 to December 2006. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49. The District's contributions to the Noncontributory Retirement System for the years ending December 31, 2006, 2005 and 2004 were \$147,493, \$134,191 and \$120,713, respectively. The contributions were equal to the required contributions for each year.

Deferred Compensation Plan - The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Defined Contribution Plan - The District also offers its employees a 401(k) Plan with the Utah Retirement System. The employee paid contributions for the years ending December 31, 2006, 2005, and 2004 were \$20,876, \$19,166, and \$34,505, respectively. The employer paid for employee contributions for the years ending December 31, 2006, 2005, and 2004 were \$77,784, \$57,549, and \$70,394, respectively.

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2006 and 2005

NOTE F - CHANGES IN FIXED ASSETS

The following table provides a summary of changes in fixed assets:

Fixed Assets	Balance at 12/31/05	Additions	Deletions	Balance at 12/31/06
Land	\$ 2,221,115	\$ -	\$ 2,274	\$ 2,218,841
Sewer system	5,399,554	31,889	-	5,431,443
Sewer main-subdivision	9,945,144	103,040	-	10,048,184
Water systems	30,171,666	64,269	-	30,235,935
Water mains-subdivisions	10,445,117	204,600	-	10,649,717
Water systems contributed by West Side Water	520,608	-	-	520,608
Water wells	5,686,494	-	-	5,686,494
Wells mechanical	1,616,901	182,092	-	1,798,993
Meters and accessories	4,214,514	82,472	-	4,296,986
Garage, Shop & Office	2,205,615	1,918	-	2,207,533
Chemical Addition Buildings	804,788	-	-	804,788
Pump houses	208,562	-	-	208,562
Fence enclosures and landscaping	89,030	-	-	89,030
Furniture and fixtures	37,840	8,239	206	45,873
Trucks and big equipment	1,141,238	350,912	298,214	1,193,936
Telemetering system	601,898	-	-	601,898
Equipment	1,392,577	40,907	22,532	1,410,952
Total Fixed Assets	76,702,661	<u>\$ 1,070,338</u>	<u>\$ 323,226</u>	77,449,773
Accumulated Depreciation	<u>(30,954,128)</u>			<u>(32,635,930)</u>
Net Value	<u>\$ 45,748,533</u>			<u>\$ 44,813,843</u>

NOTE G - CENTRAL VALLEY WATER RECLAMATION FACILITY

During 1978, the District entered into a joint venture with four other special districts and two other cities. The joint venture was organized to construct and operate a regional sewage treatment facility, for the benefit of the seven members. The seven members and their related ownership interests, as amended, are listed below:

Taylorsville-Bennion Improvement District

Notes to Financial Statements
December 31, 2006 and 2005

NOTE G - CENTRAL VALLEY WATER RECLAMATION FACILITY (Continued)

	Original Facility	New Expansion	Enhance- ments	Digesters	Secondaries
Cottonwood Improvement District	19.57%	7.32%	18.12%	8.04%	7.12%
Salt Lake City Suburban Sanitary District #1	25.62	23.62	24.78	20.08	22.65
Granger-Hunter Improvement District	21.12	25.47	20.24	25.05	24.90
Kearns Improvement District	5.98	24.00	11.26	28.44	25.71
Murray City	8.89	6.84	8.02	6.28	6.69
South Salt Lake City	6.12	2.51	5.10	1.38	2.59
Taylorsville-Bennion Improvement District	12.70	10.24	12.48	10.73	10.34
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The joint venture is administered by a joint administration board. Each member appoints one member to the board, and voting power is not related to ownership. Therefore, each member is equal to another for voting privileges. The joint venture is responsible for adopting a budget and financing its operations, subject to the approval by each of the seven members.

The District accounts for its investment in Central Valley using the equity method of accounting. Summarized financial information of Central Valley as of December 31, 2006 and 2005 and for the years then ended is as follows:

	2006	2005
Total assets	\$ 139,686,731	\$ 137,866,137
Total equity		
Members	79,190,476	75,520,106
Government grants	27,699,445	28,676,543
Revenue	10,365,987	9,475,300
Net loss	(6,480,716)	(7,035,338)
The District's interest in:		
Equity	9,294,191	8,977,049
Net loss	(665,740)	(670,403)

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2006 and 2005

NOTE G - CENTRAL VALLEY WATER RECLAMATION FACILITY (Continued)

All expenses (except depreciation) incurred by Central Valley are billed to its members. Accordingly, the District's equity in net losses of Central Valley annually approximates its share of Central Valley's depreciation expense. Audited statements are available at Central Valley Water Reclamation Facility, 800 West Central Valley Road, Salt Lake City, Utah 84119.

The District incurred the following costs from the joint venture for the years ended December 31, 2006 and 2005.

	2006	2005
Administration	\$ 107,704	\$ 97,042
Operations and maintenance	1,142,370	1,113,353
TOTAL	\$ 1,250,074	\$ 1,210,395

At December 31, 2006 and 2005, the District had a balance due to Central Valley Water Reclamation Facility of \$155,523 and \$142,761 respectively.

NOTE H - UNCLAIMED PROPERTY PAYABLE

Consistent with State of Utah requirements, intangible property which is presumed abandoned over one year must be submitted to the State Treasurer's Office. On an annual basis, the District submits these assets to the State Treasurer's Office.

NOTE I - CHANGES IN LONG-TERM DEBT

The District issued \$9,000,000 water and sewer revenue bonds on February 15, 1999 for the purpose of financing the acquisition and construction of certain improvements and extensions to the District's system. During 2005, the Central Valley Water Reclamation Facility issued taxable sewer revenue bonds totaling \$35,000,000 to fund the post-1993 ownership of the treatment facility. The District's share of the bonds is \$3,269,045. The members are responsible to fund debt service requirements over the life of the bonds. The bond funds are being used to fund a Central Valley Water Reclamation Facility project. The total long-term debt payable as of December 31, 2006 and 2005, consists of the following:

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2006 and 2005

NOTE I - LONG-TERM DEBT SERVICE REQUIREMENTS (Continued)

BONDS	2006	2005
Revenue Bonds:		
Series of 1999	\$ 2,275,000	\$ 3,350,000
Central Valley Water Reclamation Facility	2,735,219	3,269,045
Total Bonds Payable	5,010,219	6,619,045
Other Long-Term Debt:		
Note payable - Erkelens Water Rights	-	49,443
Total Other Long-Term Debt	-	49,443
Total Long-Term Debt Payable	\$ 5,010,219	\$ 6,668,488

With respect to the Water and Sewer Revenue Bonds, the District's Net Revenues as defined in the bond documents for the year must be equal to at least 110% of the Aggregate Debt Service for the year plus any amount required to be deposited in the Debt Service Reserve Account.

The following is a summary of the long-term debt service requirements.

WATER AND SEWER REVENUE BONDS

SERIES 1999

BOND AND INTEREST REQUIREMENTS

TOTAL ISSUE \$9,000,000

Year Ended December 31,	Interest Rate	Interest Due		Principal Due	
		June 15 of Year	December 15 of Year	December 15 of Year	Total Due for Year
2007	4.050	\$ 46,358.75	\$ 46,358.75	\$ 1,115,000.00	\$ 1,207,717.50
2008	4.100	23,780.00	23,780.00	1,160,000.00	1,207,560.00
		<u>\$ 70,138.75</u>	<u>\$ 70,138.75</u>	<u>\$ 2,275,000.00</u>	<u>\$ 2,415,277.50</u>

Taylorsville-Bennion Improvement District
Notes to Financial Statements
December 31, 2006 and 2005

NOTE I - LONG-TERM DEBT SERVICE REQUIREMENTS (Continued)

CENTRAL VALLEY WATER RECLAMATION FACILITY
TAXABLE SEWER REVENUE BONDS
PRINCIPAL AND INTEREST REQUIREMENT
TOTAL LOAN \$3,269,045

Year Ended December 31,	Interest Rate	Interest Due	Principal Due	Total Due for Year
2007	3.00	\$ 82,056.57	\$ 125,156.00	\$ 207,212.57
2008	3.00	78,301.89	126,090.00	204,391.89
2009	3.00	74,519.19	127,958.00	202,477.19
2010	3.00	70,680.45	135,430.00	206,110.45
2011	3.00	66,617.55	140,100.00	206,717.55
2012-2016	3.00	267,773.13	756,540.00	1,024,313.13
2017-2021	3.00	147,959.61	869,554.00	1,017,513.61
2021-2024	3.00	23,438.73	454,391.00	477,829.73
		<u>\$ 811,347.12</u>	<u>\$ 2,735,219.00</u>	<u>\$ 3,546,566.12</u>

ANNUAL CASH REQUIREMENT FOR RETIREMENT OF BONDS
AND NOTES PAYABLE AND FOR INTEREST PAYMENTS

Year Ended December 31,	Central Valley Payable	Revenue Bonds Payable	Total Due for Year
2007	\$ 207,212.57	\$ 1,207,717.50	\$ 1,414,930.07
2008	204,391.89	1,207,560.00	1,411,951.89
2009	202,477.19	-	202,477.19
2010	206,110.45	-	206,110.45
2011	206,717.55	-	206,717.55
2012-2016	1,024,313.13	-	1,024,313.13
2017-2021	1,017,513.61	-	1,017,513.61
2021-2024	477,829.73	-	477,829.73
	<u>\$ 3,546,566.12</u>	<u>\$ 2,415,277.50</u>	<u>\$ 5,961,843.62</u>

SUPPLEMENTARY INFORMATION

Taylorsville-Bennion Improvement District
Schedule of Revenues, Expenses and Other Receipts and Expenditures
Budget to Actual
For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUE			
Water service	\$ 5,510,000	\$ 5,708,418	\$ 198,418
Sewer service	2,936,000	2,845,046	(90,954)
Water connection fees	20,000	37,875	17,875
Pre-treatment charges	89,000	95,407	6,407
Penalties	27,000	39,267	12,267
Miscellaneous	67,300	85,894	18,594
Total Operating Revenue	<u>8,649,300</u>	<u>8,811,907</u>	<u>162,607</u>
OPERATING EXPENSES			
Administrative salaries	298,347	294,875	(3,472)
Office salaries	234,469	230,639	(3,830)
Maintenance salaries	736,872	739,673	2,801
Overtime salaries	18,000	30,762	12,762
Sick pay	40,000	42,403	2,403
Safety and service awards	15,000	11,178	(3,822)
Retirement early incentive	166,934	170,367	3,433
Central Valley administrative	100,052	89,165	(10,887)
Travel and subscriptions	20,000	20,636	636
Office expense	62,000	53,258	(8,742)
Janitorial	10,000	9,600	(400)
Postage and bank charges	60,000	55,796	(4,204)
Telephone and telemeter	21,000	23,930	2,930
Legal services	15,000	9,300	(5,700)
Interim audit services	5,000	3,125	(1,875)
Auditing services	17,000	17,000	-
Computer costs	30,000	22,878	(7,122)
Gas and oil	49,000	50,480	1,480
Employee health insurance	374,243	359,634	(14,609)

Taylorsville-Bennion Improvement District
Schedule of Revenues, Expenses and Other Receipts and Expenditures
Budget to Actual
For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING EXPENSES (Continued)			
Insurance - other	\$ 75,000	\$ 78,125	\$ 3,125
Damage claims	10,000	-	(10,000)
Payroll taxes	97,705	100,538	2,833
Unemployment claims	5,000	-	(5,000)
Employees retirement	446,787	451,951	5,164
Sewer maintenance	77,500	68,022	(9,478)
Sewage treatment - Central Valley	1,137,423	1,142,370	4,947
Utilities	600,000	531,955	(68,045)
Supplies and uniform cleaning	14,500	16,693	2,193
Water maintenance	110,000	41,702	(68,298)
Metropolitan Water District	10,000	40,605	30,605
Jordan Valley Water Conservancy District.	1,676,000	1,537,160	(138,840)
Wells maintenance	25,000	29,622	4,622
Landscape - wells and reservoirs	88,000	78,448	(9,552)
Repairs and maintenance - equipment	33,100	31,909	(1,191)
Water analysis	50,500	32,519	(17,981)
Miscellaneous engineering	25,000	20,312	(4,688)
Utah Special Districts	9,000	8,500	(500)
Repairs and maintenance-booster and reservoirs	7,000	2,426	(4,574)
Bond expense	5,000	4,320	(680)
Miscellaneous expense	2,000	285	(1,715)
Depreciation	2,125,000	1,943,959	(181,041)
Amortization of investment in Central Valley	<u>725,000</u>	<u>664,941</u>	<u>(60,059)</u>
Total Operating Expenses	<u>9,627,432</u>	<u>9,061,061</u>	<u>(566,371)</u>
Net Operating Income (Loss)	<u>(978,132)</u>	<u>(249,154)</u>	<u>728,978</u>

Taylorsville-Bennion Improvement District
Schedule of Revenues, Expenses and Other Receipts and Expenditures
Budget to Actual
For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
NON-OPERATING INCOME (EXPENSE)			
Property tax revenue and Barrington Park	\$ 510,156	\$ 500,397	\$ (9,759)
Interest income	200,000	377,466	177,466
Central Valley income	35,000	44,305	9,305
Water impact fees	101,000	184,574	83,574
Sewer impact fees	65,000	62,898	(2,102)
Interest expense	<u>(220,942)</u>	<u>(219,172)</u>	<u>1,770</u>
Net Non-Operating Income (Expenses)	<u>690,214</u>	<u>950,468</u>	<u>260,254</u>
Net Income (Loss) Before Contributions	<u>(287,918)</u>	<u>701,314</u>	<u>989,232</u>
OTHER RECEIPTS			
Engineering fees and deposits	23,000	26,202	3,202
Sale of Fixed Assets	<u>-</u>	<u>468,421</u>	<u>468,421</u>
Total Other Receipts	<u>23,000</u>	<u>494,623</u>	<u>471,623</u>

Taylorsville-Bennion Improvement District
Schedule of Revenues, Expenses and Other Receipts and Expenditures
Budget to Actual
For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OTHER EXPENDITURES			
Equipment	\$ 232,500	\$ 400,058	\$ 167,558
Office building	5,000	1,918	(3,082)
Sewer line	25,000	-	(25,000)
Sewer lift station	10,000	19,980	9,980
Sewer lines in subdivisions	12,000	11,410	(590)
Water lines	25,000	5,857	(19,143)
Water lines in subdivisions	15,000	15,355	355
Wells mechanical	185,000	182,092	(2,908)
Pump station	8,000	-	(8,000)
Water rights	-	4,550	4,550
Water laterals and meters	38,000	82,472	(44,472)
Central Valley Water Reclamation	272,547	193,528	(79,019)
Miscellaneous engineering	79,000	43,557	(35,443)
Payment on note payable	49,444	49,443	(1)
Payment of loan-Central Valley Water	121,422	121,422	-
Payment of revenue bonds	<u>1,075,000</u>	<u>1,075,000</u>	<u>-</u>
 Total Other Expenditures	 <u>2,152,913</u>	 <u>2,206,642</u>	 <u>53,729</u>
 Excess (Deficit) of Revenue and Other Receipts Over Expense and Other Expenditures	 <u>\$ (2,417,831)</u>	 <u>\$ (1,010,705)</u>	 <u>\$ 1,407,126</u>

NOTE

Contributions from builders and subdividers of \$307,640 not included on this statement due to the fact that it is not budgeted for. In addition, gain (loss) on disposal of fixed assets of \$407,352 and gain (loss) on disposal of fixed assets - CVWRF of \$(39,385) not included on this statement due to the fact that the sale of fixed assets, not the gain (loss) on fixed assets is budgeted for.

SCHEDULE 2

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
INSURANCE COVERAGE
DECEMBER 31, 2006

	Number	Insurance Coverage	Amount	Term	Amount of	
					Premium	
CNA Surety	190564855	Public Official Bond	\$ 460,000	12/31/06	\$	1,610
American Alternative Insurance Corporation	SDISSP915061900	Property	6,217,079	12/01/07		9,163
		General Liability		12/01/07		8,510
		Each Occurrence	1,000,000			
		Damage to premises Rented to You	1,000,000			
		Medical Expense	10,000			
		Personal and Advertising Injury	1,000,000			
		General Aggregate	3,000,000			
		Products-Completed Operations Agg	3,000,000			
		Crime		12/01/07		604
		Employee Theft	50,000			
		Forgery or Alteration	50,000			
		Inside the Premises	50,000			
		Robbery/Safe Burglary	5,000			
		Outside the Premises	50,000			
		Computer Fraud	25,000			
		Funds Transfer Fraud	25,000			
		Money Orders	25,000			
		Inland Marine	438,000	12/01/07		1,822
		Management Liability	3,000,000	12/01/07		2,721
		Commercial Auto Liability	1,000,000	12/01/07		24,458
SDSA8050458010		Uninsured Motorists	1,000,000			
		Underinsured Motorists	1,000,000			
SDISSX92502600		Umbrella	10,000,000	12/01/07		16,938

Taylorsville-Bennion Improvement District
Schedule of Impact Fees
As of December 31, 2006

Year Received	Impact Fees - Sewer System	Impact Fees - Water System	Total Impact Fees	Sewer Expenditures or Additions	Water Expenditures or Additions	Total Expenditures or Additions	Less Other Contributed Capital	Ending Balance
As of December 31, 2005			\$ 17,709,113 (1)	\$ 25,465,466	\$ 45,600,683 (2)	\$ 71,066,149	\$ 13,726,362	\$ (39,630,674)
Year Ended December 31, 2006	\$ 62,898	\$ 222,449	\$ 285,347	\$ (225,640)	\$ 327,745	\$ 102,105		\$ (39,447,432)
Total	\$ 62,898	\$ 222,449	\$ 17,994,460	\$ 25,239,826	\$ 45,928,428	\$ 71,168,254	\$ 13,726,362	\$ (39,447,432)

* Capital Property Taxes Paid to 2005 - \$13,726,362

(1) Impact fee totals include meter charges.

(2) Includes meters & fittings for which meter charges are assessed.

Building Expenditures

2006 - Reduced Investment in CVWRF (\$258,261)

2006 - Expenditures in Sewer System - \$32,621

2006 - Expenditures in Water System - \$327,745



ROBISON, HILL & CO.
A PROFESSIONAL CORPORATION

Certified Public Accountants

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DAVID O. SEAL, CPA
W. DALE WESTENSKOW, CPA
BARRY D. LOVELESS, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

Board of Trustees
Taylorsville-Bennion Improvement District
1800 West 4700 South
Salt Lake City, Utah 84118

Dear Members of the Board:

We have audited the financial statements of Taylorsville-Bennion Improvement District as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 15, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Taylorsville-Bennion Improvement District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Taylorsville-Bennion Improvement District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Taylorsville-Bennion Improvement District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Taylorsville-Bennion Improvement District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Taylorsville-Bennion Improvement District's financial statements that is more than inconsequential will not be prevented or detected by Taylorsville-Bennion Improvement District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (06-01 and 06-02).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Taylorsville-Bennion Improvement District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item (06-02) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Taylorsville-Bennion Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Taylorsville-Bennion Improvement District, in a separate letter dated May 15, 2007.

Taylorsville-Bennion Improvement District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Taylorsville-Bennion Improvement District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Robinson, Hill + Co.
Certified Public Accountants

Salt Lake City, Utah
May 15, 2007

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006

Significant Deficiencies

06-01

Although the District has references to antifraud in their personnel policy, we recommend that the District draft and adopt a formal antifraud program and control.

District Response:

The District will adopt an antifraud policy and program by the year 2008.

Material Weaknesses

06-02

The auditor prepared the financial statements, including footnotes, using the year-end trial balance prepared and provided by the District. In addition, the auditor proposed a number of adjusting journal entries in order to prepare these financial statements. The District personnel prepares the majority of the financial statements during the year, however, the personnel does not appear to have the complete knowledge and skill to prepare governmental financial statements in accordance with generally accepted accounting principles. We recommend that the Board evaluate this and make judgements accordingly.

District Response:

The District will consider this item for the next budget year (2008) with the Board's consideration and approval.



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INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Board of Trustees
Taylorsville-Bennion Improvement District
1800 West 4700 South
Salt Lake City, Utah 84118

Dear Members of the Board:

We have audited the financial statements of Taylorsville-Bennion Improvement District for the years ended December 31, 2006 and 2005 and have issued our report thereon dated May 15, 2007. Our audits included test work on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Public Debt
- Cash Management
- Purchasing Requirements
- Truth in Taxation and Property Tax Limitations
- Budgetary Compliance
- Special Districts
- Other General Compliance Issues
- Impact Fees and Other Development Fees

The District did not receive any major or nonmajor State grants during the years ended December 31, 2006 and 2005.

The management of Taylorsville-Bennion Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audits.


We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable

assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audits provide a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Taylorsville-Bennion Improvement District complied, in all material respects, with the general compliance requirements identified above for the years ended December 31, 2006 and 2005.

Respectfully submitted,



Certified Public Accountants

Salt Lake City, Utah
May 15, 2007



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BARRY D. LOVELESS, CPA
STEPHEN M. HALLEY, CPA

Board of Trustees
Taylorsville-Bennion Improvement District
1800 West 4700 South
Salt Lake City, Utah 84118

Dear Members of the Board:

We would like to thank you and your staff for your cooperation with the audit of the Taylorsville-Bennion Improvement District's financial statements for the year ended December 31, 2006. Professional standards require that we provide you with the following information related to our audit.

As stated in our engagement letter dated December 28, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Taylorsville-Bennion Improvement District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We would like to bring to your attention our observations regarding the District's compliance with the State of Utah legal requirements which we recommend the Board take steps to rectify.

The State of Utah Legal Compliance Audit Guide states that every public treasurer shall secure a fidelity bond, based on the previous year's budgeted gross revenues, which includes all funds collected or handled by the public treasurer. The current bond of \$460,000 complied with these requirements for the year 2006. However, it has been determined that 5% of the 2006 budgeted gross revenue is \$479,173 (\$9,583,456 x 5%), and therefore the bond is insufficient for the year 2006.

We recommend that the Taylorsville-Bennion Improvement District bond be increased to greater than \$479,173 for the year 2007.

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS OF THE SEC PRACTICE SECTION and THE PRIVATE COMPANIES PRACTICE SECTION

1366 East Murray-Holladay Road, Salt Lake City, Utah 84117-5050
Telephone (801) 272-8045 Facsimile (801) 277-9942

Should you have any questions or if we can be of any other assistance, please do not hesitate to contact us.

Respectfully submitted,



Certified Public Accountants

Salt Lake City, Utah
May 15, 2007



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STEPHEN M. HALLEY, CPA

May 15, 2007

Board of Trustees
Taylorsville-Bennion Improvement District
1800 West 4700 South
Salt Lake City, Utah 84118

Dear Members of the Board:

In planning and performing our audit of the financial statements of Taylorsville-Bennion Improvement District as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered Taylorsville-Bennion Improvement District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

Significant Deficiencies

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

06-01

Although the District has references to antifraud in their personnel policy, we recommend that the District draft and adopt a formal antifraud program and control.

District Response:

The District will adopt an antifraud policy and program by the year 2008.

Material Weaknesses

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

06-02

The auditor prepared the financial statements, including footnotes, using the year-end trial balance prepared and provided by the District. In addition, the auditor proposed a number of adjusting journal entries in order to prepare these financial statements. The District personnel prepares the majority of the financial statements during the year, however, the personnel does not appear to have the complete knowledge and skill to prepare governmental financial statements in accordance with generally accepted accounting principles. We recommend that the Board evaluate this and make judgements accordingly.

District Response:

The District will consider this item for the next budget year (2008) with the Board's consideration and approval.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Certified Public Accountants